

[Draft 1/8/02]

January 8, 2001

Mr. John Lathrop
Arthur Andersen & Co.
2301 McGee Street, Suite 400
Kansas City, MO 64108-2604

RE: Project GIIS

Dear John:

David and I continue to evaluate ways to rationalize our businesses and monetize assets.

One asset we have always thought about is our investment in Guardian. At some point in time it will make sense to merge Guardian into P-1, thus putting all of our North American security businesses under one management team. However, in such a transaction we lose the public vehicle of Guardian, which we would like to preserve. In the past when we looked at the sale of Guardian assets to P-1 to preserve the public shell, the tax basis of Guardian's assets were so low it was not a tax efficient deal.

Is there any deal structure we could utilize that would eliminate such tax leakage in an asset deal? For example, if P-1 bought the Guardian assets with other than cash, could a tax be avoided or at least deferred? Let's say P-1 bought our international power projects for cash/securities etc. If these international assets were then swapped for GIIS assets, could a tax be avoided?

I would like you to think about this conceptually and report to David and me your thoughts.

Sincerely,

DTL/kb